



NORTHWEST HYDROELECTRIC ASSOCIATION

June 23, 2003

President George W. Bush
The White House
1600 Pennsylvania Ave. N.W.
Washington, D.C. 20500

Dear Mr. President:

The economic future of the Pacific Northwest, including our families, businesses, and local communities, depends to a large extent on the low-cost electricity produced by the federal and non-federal dams of our region. For that reason, we were very grateful when you pledged as a Presidential candidate in 2000 that the dams on the Columbia and Snake rivers "will stay right where they are, providing low-cost power for you, your family, your community and the entire Northwest."

We write today to alert you that your own Administration is acting contrary to your pledge in two important respects. First, the Environmental Protection Agency (EPA) is poised to take actions that could lead to the removal of major dams in the Columbia River Basin. Second, the Departments of Interior, Commerce, and Agriculture are, in many instances, using their authority to impose regulatory conditions as a means to abuse the hydroelectric dam relicensing process at the Federal Energy Regulatory Commission (FERC).

In the next 15 years, Northwest utilities must relicense hydroelectric projects producing over 10,000 megawatts. That's enough to power 10 cities the size of Seattle. Unless EPA, Interior, Commerce, and Agriculture change course very soon, their combined regulatory actions will dramatically increase the cost of power from these projects. This, in turn, will further damage the economy of a region that is already suffering the highest unemployment in the nation.

The EPA issue has received little attention to date, so we turn to it first. EPA's regional office in Seattle has developed a regulatory proposal under the Clean Water Act that establishes a goal of reducing water temperatures in the Columbia and Snake rivers to a temperature that EPA estimates existed prior to the construction of dams on these rivers. This approach violates the law and common sense. In effect, EPA is trying to turn back the clock on economic growth in the Northwest to the 19th century. It is akin to requiring the air over New York City to be as free of pollutants as before the Revolutionary War.

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If allowed to go forward, EPA's misguided policy would force dam operators to spend billions of ratepayer and taxpayer dollars to dramatically alter the operation of the dams, in an attempt to reduce water temperatures, even though there is no credible evidence that such steps would benefit endangered salmon, the supposed beneficiaries of the policy. To the contrary, our region is experiencing historically high returns of salmon runs – with the dams in place.

Even worse, the new EPA temperature proposal would dramatically increase the likelihood that major dams on the Columbia and Snake rivers will ultimately be breached. As you know, these dams are the cornerstone of the Northwest's electricity system, and facilitate navigation from the Pacific Ocean to inland communities. Tearing them down would be an economic body blow to the Northwest, and would literally make it very difficult to keep the lights on in the region.

Mr. President, in 2000 you said, "I believe that we can save the fish, but we don't have to tear down dams to do it." We agree, and are eager to work with your Administration and others to take constructive steps that benefit endangered salmon and the environment. To that end, we respectfully request that you direct EPA to develop a temperature policy for the Columbia and Snake rivers that focuses on providing real benefits to endangered salmon and other fish and wildlife, rather than the achievement of theoretical "pre-dam" river temperatures at any cost.

EPA's "no dam" policy is just a part of a much larger problem with the hydroelectric regulatory and licensing process in the Northwest. Other federal agencies, including regional staff at the Departments of the Interior, Commerce, and Agriculture, are pursuing a similar agenda that threatens to impose billions of dollars in unnecessary costs on Northwest ratepayers. These agencies have tremendous authority to require hydroelectric licensees to undertake costly measures with questionable benefits. Unfortunately, in a number of instances, these agencies are abusing this authority in a manner that fundamentally threatens the economic and air quality benefits of the Northwest hydropower system.

Underlying this problem is a philosophy of many agency staff that hydro projects in the Northwest should never have been built, and that the goal of the licensing process should be to regulate the projects in a way that attempts to replicate conditions prior to the arrival of Lewis and Clark or, even worse, remove the dam entirely. In addition, many agency staff considers hydroelectric licensing as an opportunity to force licensees to pay for facilities and programs that have little or nothing to do with a hydroelectric project. Essentially, these agencies are using the licensing process as a means of imposing a hidden tax on Northwest electricity consumers to supplement their budgets.

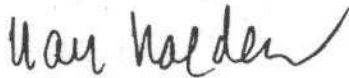
Surprisingly, this trend appears to have accelerated under your Administration. For example, federal and state agencies proposed almost \$500 million in measures for one small 72-megawatt project in Washington State, even though the project has modest impacts and there have never been any salmon runs near the project. To our knowledge, there were no Northwest relicensings during the Clinton Administration where the hydroelectric licensing process was abused to this extent.

To reverse this trend, we respectfully request that you direct the Departments of Interior, Commerce, and Agriculture to exercise their regulatory authority during the relicensing process in a manner that preserves the production of low-cost electricity that is so essential to the Northwest economy and environment. To that end, agency staff should be barred from pursuing the misguided goal of replicating conditions that existed prior to the existence of a hydroelectric project. In addition, agency staff should be directed to only impose conditions that address the environmental impacts of a dam, and should be prohibited from using the licensing process as a means of taxing Northwest electricity consumers to supplement agency budgets.

Mr. President, we must preserve the benefits of the Northwest hydropower system, and not let it succumb to a death by a thousand cuts from the combined actions of federal agencies that do not share your common sense views regarding hydropower. We urge you to exert control over these agencies now, and thereby save a Northwest hydroelectric system that is under siege.

Thank you for your consideration of our requests.

Sincerely,



Nan Nalder
President
Northwest Hydropower Association



Steve Johnson
Executive Director
Washington Public Utility Districts Association



Will Lutgen
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